Twenty-Sixth
ANNUAL REPORT
to Stockholders

for Fiscal Year ending
June 30, 1951

STOP & SHOP, INC.

BOSTON, MASSACHUSETTS

STOP & SHOP, INC.

393 D STREET, BOSTON 10, MASS.

Officers

Joseph Rabinovitz	*President*
Sidney R. Rabb	*Chairman of the Board and Treasurer*
John MacManus	*Vice-President*
Irving W. Rabb	*Vice-President*
Norman S. Rabb	*Vice-President*
Jacob Rabinovitz	*Vice-President*
Lloyd D. Tarlin	*Assistant Treasurer*
Max E. Bernkopf	*Clerk*
Arthur L. Sherin	*Assistant Clerk*

Directors

William Applebaum
Max E. Bernkopf
A. K. Cohen
Irving W. Rabb
Norman S. Rabb
Sidney R. Rabb
Jacob Rabinovitz
Joseph Rabinovitz
Arthur L. Sherin
Lloyd D. Tarlin

Transfer Agents

The First National Bank
of Boston

Registrars of Stock

The National Shawmut Bank
of Boston

Auditors

Myron Heller & Company
Boston

To the Stockholders of Stop & Shop, Inc.:

The results of our fiscal year ending on June 30, 1951, presented in this report, indicate another year of progress. Sales for the year were the largest in our history. Part of the sales increase is due to higher prices, part represents more food purchased in Stop & Shop stores.

Sales for the fiscal year were $56,453,839 as compared to $50,039,306 in the previous year, a gain of 12.8%. Tonnage movement was about 3.4% greater than last year. Forty-eight of our stores now have an annual volume in excess of $500,000 each and the average for this group is just under $1,000,000. These stores represent 79% of the overall company volume.

The consolidated earnings of the company were $780,852 compared to $874,278 for the previous year. These earnings were equal to $3.02 per share compared with $3.38 per share last year, both computed on the 258,900 shares outstanding at the close of this fiscal year. Earnings represented a return of 1.38% on sales as against 1.75% last year. Although earnings before taxes were higher than last year, earnings after taxes were lower because of the greater federal income tax.

Four quarterly dividends of 25c per share — a total of $1.00 per share — and a 10% stock dividend were paid in the fiscal year.

The estimated Federal Income and Excess Profits Tax for our consolidated companies for the year is $813,815 or $3.14 per share as compared with $550,567 or $2.13 per share the previous year.

In January of this year, we redeemed our $1,000,000 3½% Debentures and placed a $1,500,000 3⅛% fifteen year note on more favorable terms, and in May we secured an additional $1,000,000 at 3¾% on similar terms. This financing increased the Working Capital of your company which, at the end of the fiscal year, was $5,023,328.

During the year, our real estate companies constructed three new store buildings, acquired one existing store — all with adequate parking areas — and sold one building formerly used as a maintenance depot. Construction is under way on another new store building with a large parking area. We hope that authorization for additional store buildings on other sites that have been acquired may receive the approval of The National Production Authority. Permanent financing has been obtained on the new completed store properties. Some of our older properties have been refinanced on a more favorable basis.

Of the four new stores opened during the year, one was a relocation of an existing store. We closed one small service grocery store, one service market and one older self-service market without a parking area. Our planned program of store modernization has continued. Relatively minor work was needed at some locations and more extensive work at others. Two stores were air-conditioned as part of this program. The modernization work will continue during the new fiscal year within the limits permitted by existing defense regulations. Increases in costs, new merchandising and operating methods, as well as higher standards of service, have required a greater capital investment in our new stores than heretofore. Our latest store, opened in May in the Brighton-Brookline section of Boston, is second only in size and appointments,

which include air-conditioning, to our Memorial Drive store in Cambridge. During the year we invested approximately $450,000 in store fixtures and equipment.

On June 30th, our affiliated bakery and manufacturing corporation was liquidated and its assets acquired. Mr. John MacManus, its President, has been elected Vice-President in charge of our Bakery and Manufacturing Division and will continue to direct its activities.

The development of a modern bakery plant requires considerable time. Since operation began in October, 1948, production has grown steadily as facilities have been completed and new retail departments added in both new and existing stores. Within another six months, we expect that the entire bakery plant installation will be completed and our capacity to produce a wider assortment of products will be substantially increased. Customer recognition and acceptance of our bakery products has been very gratifying.

Commodity prices rose sharply during the early part of this fiscal year until price regulations were enacted. Advancing prices, as well as the uncertainty of a steady supply of some items, necessitated a longer inventory position which reached its peak in the late winter and is now tapering off. The price and supply prospects for the immediate future are so closely integrated with world problems that trends cannot be predicted. However, indications are that food production should be at a record high level this year and supplies should be ample for our needs.

Employees' wages and costs of services purchased have risen and profit margins, now controlled, are lower, although the full impact of price control cannot be determined as yet. This presents us with a challenge to continue to devote every effort to increase the tonnage we handle and the efficiency of our operating techniques. Because our industry must operate on a narrow margin of profit, we are endeavoring to make the maximum use of rigid expense controls, employee training for work simplification, and Marketing Research.

During the year, 159 of our employees took leave to enter the armed forces and those, who were eligible, received a military leave bonus and a contribution towards the cost of their National Service Life Insurance. Contributions will be made to our Retirement Plan by the company for eligible employees who are now serving in the Armed Forces.

The re-investment each year of a large share of our earnings in new stores and store modernization adds financial strength to the company and job security for our employees. The fine cooperation and loyal support of the men and women of Stop & Shop have helped us to grow from year to year and have assisted us to make Stop & Shop "A BETTER PLACE TO WORK AND A BETTER PLACE TO TRADE."

We will soon send you a copy of the special report that we prepare annually for our employees on the accomplishments of the year.

Respectfully submitted,

Joseph Rabinovitz

President.

STOP & S

Consolidated Balance S

(Including wholly-owne

Assets

CURRENT ASSETS:			
Cash on hand and in banks		$2,559,180.11	
Accounts Receivable:			
Due from trade debtors, including recharges to manufacturers, municipal relief agencies, advances to employees' retirement funds and sundry claims less reserve	$144,723.28		
Due from employees	3,130.20	147,853.48	
Interest receivable accrued		900.00	
Inventories:			
Physical inventories evaluated at average invoice cost or lower than cost, reflecting market prices, located in the company's warehouses, in storage, in stores, in transit and in vendors' premises		5,009,069.29	
Total Current Assets			$ 7,717,002.88
Officers' life insurance at cash surrender value			124,441.79
INVESTMENTS OF S. S. REALTY CO., INC. (wholly-owned affiliate) AND ITS WHOLLY-OWNED AFFILIATES:			
In real estate, owned in fee simple, at cost (See Note 1)			1,001,128.03
FIXED ASSETS (at cost):			
Land and buildings "D" Street Warehouse, South Boston, Massachusetts owned in fee simple		$ 622,557.67	
Other land and buildings		63,943.67	
Stores equipment, fixtures, etc.		2,259,740.39	
Warehouse and office equipment, fixtures, etc.		253,238.96	
Manufacturing machinery and equipment (See Note 2)		944,349.75	
Automobiles and trucks		54,519.49	
Total		$4,198,349.93	
Less — Reserves for depreciation (See Note 4)		1,424,192.28	2,774,157.65
DEFERRED CHARGES TO OPERATIONS:			
Unexpired insurance policy premiums at unearned values		$ 80,679.50	
Unamortized costs of rehabilitation of store locations, etc.		646,556.68	
Construction, maintenance and store supplies		177,991.32	
Unamortized expense on company long term debt		2,118.41	
Other deferred expenses		8,760.35	916,106.26
			$12,532,836.61

See page seven for notes re

HOP, INC.

Sheet . . . June 30, 1951

d affiliated companies)

Liabilities

CURRENT LIABILITIES:				
Accounts payable — trade creditors on open account			$1,928,542.24	
— employee contributions to various employee funds, etc.			3,018.24	
Amortization payments on real estate mortgages of S. S. Realty Co., Inc. and its wholly-owned affiliates (maturing within one year)			188,455.69	
Accrued Accounts:				
Federal income and profits taxes (estimated)	$683,063.24			
Less — U. S. Treasury Tax Anticipation Notes, Series "A" held	500,000.00	$183,063.24		
Commonwealth of Massachusetts income, excise and other state and municipal taxes		145,088.45		
Social security and unemployment insurance — federal and state contributions		71,291.99		
Other accrued items including pay roll, rent, interest and employee profit sharing and bonuses		174,214.53	573,658.21	
Total Current Liabilities				$ 2,693,674.38
3⅛% PROMISSORY NOTE due January 1, 1966 (See Note 3)				1,500,000.00
3¾% PROMISSORY NOTE due January 1, 1966 (See Note 3)				1,000,000.00
Purchase money obligations of S. S. Realty Co., Inc. and its wholly-owned affiliates under mortgages on real estate to be amortized by monthly payments until extinguished				23,175.04
SURPLUS RESERVE:				
Reserve for future inventory devaluation and relocation of plant facilities				200,000.00
CAPITAL:				
Authorized 300,000 shares of $1.00 par value capital stock of which 263,400 shares are issued and outstanding		$ 263,400.00		
Less — Par value of 4,500 shares acquired for the treasury		4,500.00	$ 258,900.00	
Capital Surplus (See Note 5)		$1,671,600.00		
Less — Premium on treasury stock reacquired		25,154.42	1,646,445.58	
Surplus			5,210,641.61	7,115,987.19
				$12,532,836.61

ferred to in above statement

STOP & SHOP, INC.

Consolidated Profit and Loss Account

(Including wholly-owned affiliated companies)

	Fiscal Year Ended June 30, 1951	*Fiscal Year Ended July 1, 1950*	*Increase*
SALES	$56,453,839.49	$50,039,306.32	$6,414,533.17
Less — Cost of sales and operations	54,872,026.15	48,552,659.62	6,319,366.53
	$ 1,581,813.34	$ 1,486,646.70	$ 95,166.64
ADD OTHER INCOME:			
Cash discounts on purchases, interest income, etc.	341,126.32	285,053.67	56,072.65
Profit on sale of capital assets	55,089.89	—	55,089.89
Profit before depreciation, interest and federal income taxes	$ 1,978,029.55	$ 1,771,700.37	$ 206,329.18
DEDUCT:			
Depreciation of buildings, equipment, trucks and automobiles	$ 327,660.90	$ 312,419.25	$ 15,241.65
Interest	55,700.90	34,435.39	21,265.51
Total	$ 383,361.80	$ 346,854.64	$ 36,507.16
Net profit before federal income and profits taxes	$ 1,594,667.75	$ 1,424,845.73	$ 169,822.02
Less — Federal income and profits taxes (estimated)	813,815.35	550,567.56	263,247.79
NET PROFIT TO SURPLUS	$ 780,852.40	$ 874,278.17	*$ 93,425.77

*Decrease

Consolidated Surplus Account

Fiscal Year Ended June 30, 1951

BALANCE, July 1, 1950		$5,266,964.21
Add — Net profit for the fiscal year ended June 30, 1951		780,852.40
		$6,047,816.61
Deduct:		
Cash dividends paid — $.25 a share on 240,000 shares outstanding	$ 60,000.00	
Cash dividends paid — $.75 a share on 263,400 shares outstanding	197,550.00	
	$257,550.00	
Less — Dividends on capital shares held in treasury	5,375.00	252,175.00
		$5,795,641.61
Deduct — 10% capital stock dividend		585,000.00
BALANCE, June 30, 1951		$5,210,641.61

STOP & SHOP, INC.

Notes Relating to Financial Statements

June 30, 1951

NOTE 1.

Cost of land and buildings of various acquired locations....		$4,316,822.33
Less — Accrued depreciation of buildings..............		252,734.59
		$4,064,087.74
Deduct — Mortgages on this property for money advanced for construction (these mortgages are not assumed by either the parent or its affiliated companies)......	$3,247,109.45	
Less — Principal payments due for the ensuing year included in current liabilities..........................	184,149.74	3,062,959.71
Balance representing the companies' equity subject to mortgages in the aggregate sum of $27,480.99 shown as a liability in the Balance Sheet....................		$1,001,128.03

NOTE 2. The manufacturing machinery and equipment of an affiliate, 50% owned, was acquired from its total liquidation on June 30, 1951. The cost allocable to this asset is $944,349.75.

NOTE 3. The note for $1,500,000.00 bearing interest at the rate of 3⅛% per annum is dated January 1, 1951 and the note for $1,000,000.00 bearing interest at the rate of 3¾% per annum is dated May 8, 1951. Payments on account of principal of these notes are required at the rate of $136,000.00 and $90,000.00 respectively beginning with January 1, 1956 and on January 1st of every year thereafter.

NOTE 4. Stores equipment that had been fully depreciated and substantially abandoned amounting to $664,630.63 was charged against its respective reserve for depreciation and eliminated from its asset value.

NOTE 5. The Capital Surplus was increased $561,600.00 and capital stock $23,400.00 resulting from a 10% capital stock dividend paid on November 20, 1950.

Accountants' Certificate

We have made an examination of the books and accounts of Stop & Shop, Inc., including its wholly-owned affiliate, S. S. Realty Co., Inc., and the wholly-owned affiliates of the latter for the fiscal year ended June 30, 1951. In accordance with generally accepted auditing standards applicable in the circumstances, omitting no procedure inherent therein, this examination consisted of a detailed audit of such transactions that we believed to be important, that were effected during the fiscal year above stated, but did not include a detailed audit of all transactions. We have verified by outside confirmation such of the balance sheet items we deemed appropriate and necessary; and we are of the opinion, by reason of our familiarity with the controls and accounting records of the companies, and having applied necessary auditing procedures, that those items not verified in this way are correctly stated.

In our opinion, based upon such examination, the attached financial statements and their relative notes attached hereto fairly present, in accordance with generally accepted principles of accounting applied on a basis consistent with previous years, the financial position of the companies at June 30, 1951 and earnings for the fiscal year ended with that date.

MYRON HELLER & COMPANY
Certified Public Accountants

By: MYRON HELLER, C. P. A.

Boston, Massachusetts
August 16, 1951